

Town of Groton and the Regional School District Budget

Revision 4.1

The Groton-Dunstable Regional School Committee is requesting additional funding of \$1,973,000 for FY 2015 from the towns of Groton and Dunstable. The purpose of this paper is to provide context and definition for the fiscal environment under which the Regional School District and the Towns operate, and Groton's strategy to move forward. This paper is not intending to offer any opinion on the merits of the fiscal environment nor the fiscal strategy.

A few definitions are appropriate. Many of these definitions are attempting to simply define a complex area of Massachusetts tax law, so called Proposition 2 ½ (MGL Chapter 59 Section 21C). For a more complete discussion of Proposition 2 ½, "Levy limits: A Primer on Proposition 2 ½", available at www.mass.gov, is an excellent resource.

FY 2015

Fiscal Year 2015; Budget year beginning July 1, 2014 and ending June 30, 2015

Regional School District

An autonomous school district formed by an agreement of Groton and Dunstable in 1967. The District is funded from town budgets in an approximate ratio of 75% Groton to 25% Dunstable. The District is managed by the elected Regional School Committee, which has five Groton representatives and two Dunstable representatives. The Regional School Committee does not "report" to either town, as it is an elected body.

Tax Levy Ceiling

Under Massachusetts Proposition 2 ½, this is 2.5% of the "full and fair cash value" of all taxable personal property and real estate in the community. The tax levy limit cannot exceed the ceiling. Groton's FY 2015 tax levy ceiling is \$37,923,894.

Tax Levy

The amount of property tax raised in a given year. Groton's FY 2015 tax levy is \$25,348,413. The tax levy pays for Town services and Groton's assessment from the Regional School District.

Tax Levy Limit

The tax levy can be set below or at the tax levy limit, but not above the limit. The maximum amount the tax levy limit can rise in a given year is 2.5% of the current tax levy limit plus "new growth". Groton's proposed FY 2015 tax levy limit is \$25,778,076, leaving an unexpended tax capacity of \$402,424. Unexpended tax capacity is the difference between the tax levy and the tax levy limit.

Tax Rate / Mil Rate

The rate per thousand dollars of assessed value of personal property and real estate at which taxes are levied. Essentially, the tax rate apportions the Town's tax levy to each home. The tax rate times the assessed value (not the appraised value) of your home, divided by 1,000, is the calculation of your tax bill. Example:

Assessed value of home:	\$400,000
FY14 Tax Rate:	\$17.38

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FY14 Tax (400 x \$17.38) \$6,952

The assessed value of your home is based on Full and Fair Cash Market Value as determined by the calendar year sales in the community. The analysis of the market value is reviewed annually by the Bureau of Local Assessment of the Department of Revenue. Market Value is used to insure that the model conforms to the guidelines and standards established for property valuation per Mass General Laws. The Board of Assessors is required to make adjustments to assessments to maintain the values.

The tax rate is set for each fiscal year in November or December of that fiscal year.

Proposition 2 ½ Override

A general override is a mechanism by which the community can vote to exceed the allowed annual 2.5% tax levy limit increase in a given year, and create a new limit. An override requires a majority vote of the electorate. An override cannot create a levy limit which is above the levy ceiling. A Proposition 2 ½ Override raises the levy limit in a given year, and the override amount is included in the base levy limit amount for the annual 2.5% levy limit increase calculations in subsequent years.

Debt Exclusion Override

A debt exclusion override is a Proposition 2 ½ override, yet differs markedly from a general override. The main differences are that a debt exclusion is only for the amount of a debt, is only for the life of the debt and is not included in the calculations for the annual 2.5% levy limit increase. In FY 2015, Groton is paying \$1,985,478 in excluded debt from previous year debt exclusion overrides.

What does this mean?

NOTE: The following proposal information is accurate as of March 12, 2014.

Groton's share of the Regional School District's initial budget request for additional funding is approximately \$1,403,699. The Town has identified the following budgetary initiatives that might be taken, without requiring an override, to provide additional funds for the schools:

- \$377,975 is factored in the Town Manager's proposed (December 31, 2013) FY 2015 budget as an estimated 2.5% increase in school funding. This is included in the FY 2015 estimated tax rate of \$17.90 per thousand dollars of valuation that takes the entire town budget into consideration. This school element of the proposed budget will raise property taxes by \$.24 per thousand dollars of valuation over FY 2014. Note that total increase in the proposed budget will affect the tax rate by \$.47 per thousand of valuation – approximately \$188 for a home assessed at \$400,000.
- Groton property tax levy for FY 2015 is below the tax limit. The Town can raise an additional \$402,424 by taxing to the levy limit. This is estimated to raise the FY 2015 tax rate by \$.26 per thousand dollars of valuation – approximately \$104 for a home assessed at \$400,000.
- The bond for Groton's new Center Fire Station, currently under construction, is currently paid from the operating budget of the Town. A Special Town Election will be held on April

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1st, asking the voters if they wish to exclude this debt from the limits of Proposition 2 ½ (Debt Exclusion Override). If this debt is excluded from the levy limit, an additional \$448,000 will be available to fund the school district. If this Debt Exclusion Override is approved by the voters, this excluded debt will raise the FY 2015 tax rate by an estimated \$.29 per thousand of valuation – approximately \$116 for a home assessed at \$400,000.

- The Town will implement cuts to the Town Manager's proposed FY 2015 budget of \$300,000 and use this money to fund the school budget assessment. This will have no impact on the tax rate, as this money is included in the original FY 2015 budget proposal. These cuts will impact town services.

These initiatives, if recommended by the Board of Selectmen and the Finance Committee and approved by the voters at ballot and Town Meeting, would enable the Town of Groton to fund an additional \$1,403,699 to the Regional School District. The total impact on the tax rate from the four points detailed above is an estimated \$1.02 per thousand dollars of valuation, or \$408 additional tax for a home valued at \$400,000.

The Town of Dunstable's plan to address its budget assessment is not included in this paper. Its plan will be unique to its financial situation.

Other Terminology

The jargon of municipal finance often uses unfamiliar terminology:

Budget and Budget Process – Regional School Committee

The Regional School Committee formulates a budget to run the district. The budget is then requested from the member towns in the proportions defined in the district agreement. This process occurs during the time the individual towns are developing municipal budgets. The towns' budgets, including the school assessments, are then voted at the individual town meetings. Please reference Mass General Law Chapter 71 Section 16B for a description of a regional school system budgeting process.

Budget Process Overview– Towns and School District

Town Budgets – are developed on a local deadline and are voted at the Spring Annual Town Meeting. The Groton Town Manager submits a budget to the Finance Committee and Board of Selectmen by December 31, which is then reviewed and adjusted as necessary, and presented to the town meeting.

Regional School District Budget – is developed by the Groton-Dunstable Regional School Committee. It must be presented to the member towns 45 days before the earliest town meeting of the member towns. Groton's spring annual town meeting (April 28, 2014) is typically scheduled before Dunstable's (May 12, 2014).

Town Meeting – Each town votes its budget, including their assessment from the regional school district. If either town does not fund the school assessment....

District Town Meeting is convened. If still no agreement....

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The Regional School District will operate on 1/12 of the FY 2014 budget per month until an agreement is reached. If there is no agreement by December 31, the Department of Education will assume operations.

Town Meeting / Open Town Meeting

The legislative body of the Town. Both Groton and Dunstable utilize an Open Town Meeting form of government. Any registered voter in the Town can participate in the town meeting. One important function of spring annual town meeting is to approve the town budget. Groton's 2014 Spring Annual Town Meeting will be held April 28. Dunstable's will be held May 12. Groton also holds a Fall Annual Town Meeting, typically in October.

District Town Meeting / Super Town Meeting

A joint meeting of the district's member towns' (i.e Groton and Dunstable) voters to resolve regional school district funding if it cannot be resolved by the towns individually. This meeting is run by the Regional School Committee. Mass General Law Chapter 71 Section 16B addresses this topic.

Cherry Sheet

The Cherry Sheet is the official notification by the Commissioner of Revenue to municipalities and school districts of estimated state aid to be paid and charges to be assessed over the next fiscal year. As the state budget process unfolds updated local aid proposals are posted. Cherry Sheets are issued once the state budget is enacted by the Legislature and approved by the Governor.

State Aid

The Commonwealth's financial aid to localities. It is based upon a formula, and is determined during the state budgeting process.. The state aid is listed in the Cherry Sheet. Groton's estimated municipal state aid for FY 2015 is \$808,568.

Chapter 70

Mass General Law Chapter 70 education aid is the Commonwealth 's primary program for distributing its portion of K-12 public education funding to the state 's 328 local and regional school districts.¹ The Chapter 70 formula aims to ensure that each school district has sufficient resources to provide an adequate education for all of its students, taking into account the ability of each local government to contribute. In short, the formula is designed to have an equalizing effect, with less wealthy districts receiving more state aid than wealthier ones.² (http://www.massbudget.org/report_window.php?loc=Facts_10_22_10.html)

Chapter 71

Mass General Law Chapter 71 addresses the operation of schools within the Commonwealth, including health and safety, school structure, discipline and transportation. Many more discrete topics are addressed in the 93 sections of Chapter 71.